

City of Eugene

A Plan of Action to Address the Fiscal Challenge: Closing a \$6 Million Deficit

Current Situation

The City of Eugene has continued to experience the distressing effects of the steep economic decline that began in 2008. The business and property impacts experienced by the community result in reduced revenues to support City services. Other difficult decisions have led to reduced revenues, such as deciding to let the Library Local Option Levy expire. Over the past four years, the revenue reductions have been addressed through spending and personnel reductions with a focus on maintaining services to the community.

Over the next several years, the City of Eugene is anticipating an additional \$6 million budget shortfall. This projection, generated from the recently updated General Fund forecast, doubled the \$3 million gap that was projected in May 2012. Property taxes make up 66% of the General Fund and changes can significantly impact the ability of the City to fund services in the current economic environment. Because of the depressed economy:

- The City received significantly less income from current year property taxes than anticipated.
- City officials expect lower growth rates in future property taxes.

Without action to fill the General Fund gap in FY14, the impact of lower than expected revenues (income) over the forecast period will compound and the gap will likely grow in future years, resulting in significant service reductions that will negatively impact the quality of life for Eugene's residents.

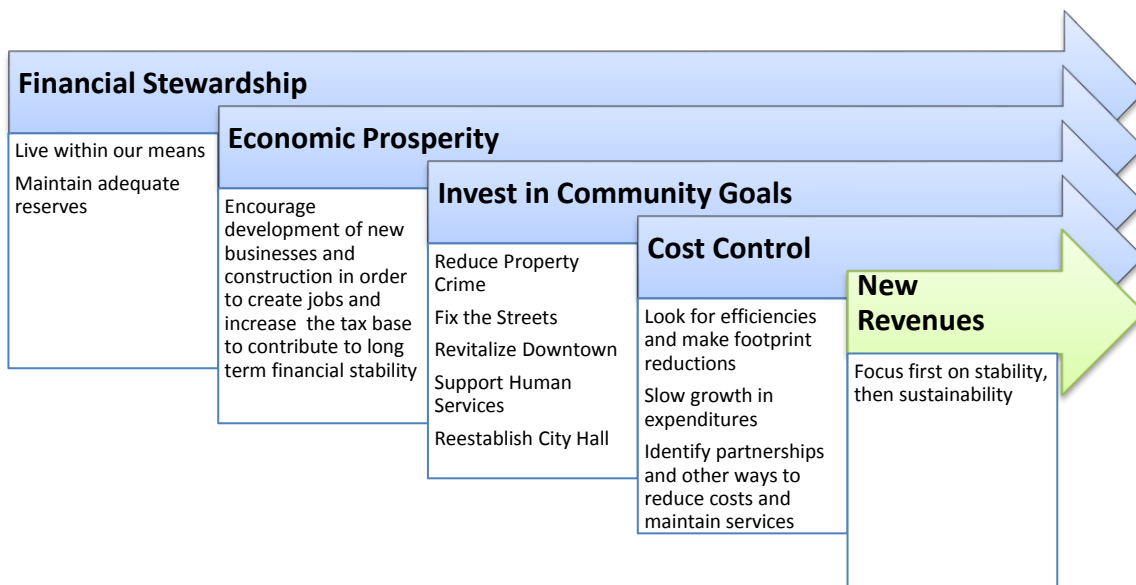
Like other communities, the City of Eugene has faced deficits over the last several years. Nonetheless, by exercising sound stewardship of public resources, the City has achieved balanced budgets, lived within its means, and not raised taxes. At the same time, we have continued to invest in community goals and minimized impacts to community services. Strides made to address these fiscal challenges have included:

- Cutting \$24 million from the General Fund budget (about 20%) over the past four years.
- Eliminating more than 100 full-time positions.
- Maintaining prudent reserves to address unexpected impacts due to shifts in income and/or expenses that could not be anticipated in advance.

Many parts of the City's organization were affected by these actions. Two examples of services to the public that were affected by the actions are parks maintenance and library services. Parks maintenance services have been reduced, such as mowing of grass in the parks and maintenance of the Owen Rose

Garden. Library services were first affected by reducing the budget for books and materials; last year, branch library hours were also reduced, among other staff efficiencies and changes.

The financial strategy chart below provides our five-part framework for maintaining community services and achieving financial sustainability. The fifth component, creating new revenues, has been added for the first time in several years and will interact with the other four components to stabilize the budget over the next several years. However, given the reductions made over the last four years, closing the \$6 million gap solely by cutting spending further will negatively impact community services presently being provided to Eugene residents. Therefore, new revenues are being considered as one component of the overall framework to maintain those important services at current levels.



FY14 Budget – Proposed Plan of Action

This plan is based upon community feedback received over the last three years via Eugene Counts, community surveys and Envision Eugene. It is also guided in part by recent surveys of Eugene voters conducted in July and November 2012. The key finding in these scientific surveys is that the community is open to paying a modest fee to avoid further cutbacks in City services. The most recent survey results indicate that a clear majority (59%) of Eugene voters are likely to support such a fee in the \$10 per month range.

We will continue the approach we've institutionalized over the past four budget years to control costs and invest in community goals, while living within our means and being good financial stewards. The proposed plan of action is designed to fill the General Fund gap of \$6 million, strengthen economic prosperity, maintain community services at their present levels, and provide future financial stability to ensure continuation of those efforts in the long run.

1. Economic Prosperity – Grow the Property Tax Base

Ultimately, our property tax base must grow to ensure that long-term revenues are available to maintain services at their present levels. Additional economic prosperity actions will be implemented, guided by the Regional Economic Prosperity Plan, Envision Eugene and Council goals with ongoing focus on supporting the local business community, employment and wage growth. These actions will also encourage new and expanded business investment in existing vacant and underutilized industrial and commercial lands. However, growing the property tax base alone will not close the \$6 million gap in the near term. Nearly a billion dollars of new property value would be needed to achieve \$6 million of additional revenue, which is more than twice the value of Eugene's top ten taxpayers combined.

2. Cost Control – Continue Footprint Reductions

The City has successfully reduced its General Fund expenses in recent years. Employees will again be asked to find additional efficiencies, including continued and expanded community partnerships. This will be done in a way that has minimal impact on direct services to the community being provided by or through the City.

3. Transitioning Funding for Parks Costs to Stormwater Fee

Transitioning funding for the General Fund parks maintenance budget into the stormwater fund will free up General Fund monies to maintain other community services that are central to the quality of life for all Eugene residents and prevent further erosion of these services. It will also provide a more stable ongoing funding source for parks maintenance.

4. New City Service Fee

Unfortunately, the above actions will not close the entire budget gap. As a result, the City will need additional revenues to maintain the current level of services and move the organization forward on priority goals. As noted above, the survey has indicated the community's willingness to pay a modest monthly service fee in order to maintain their present quality of life. Based upon that information, the proposed FY 14 Plan of Action recommends that the remaining gap be closed by asking Eugene voters to authorize such a modest fee of up to \$10 per month.

The depressed economy has impacted our community and we know many people are still struggling. We have worked hard to maintain services we know are important to the quality of life in Eugene. However, we have reached a point in which we can no longer maintain the services we provide today without a modest fee increase. We are putting forth a plan for consideration that could meet the desire to have a healthy, vibrant place to live, balanced with sensitivity to the financial impact that these proposals would have on Eugene residents. We are confident that the conversation with the City Council and the community will provide valuable direction on these difficult choices.